WOLCOTT, WOOD AND TAYLOR, INC.
Chicago, Illinois

FINANCIAL STATEMENTS
June 30, 2006 and 2005

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

Clifton Gunderson LLP
Certified Public Accountants & Consultants

TABLE OF CONTENTS

WOLCOTT, WOOD AND TAYLOR, INC.
FINANCIAL STATEMENT REPORT
SUMMARY
June 30, 2006

The audit of the accompanying basic financial statements of Wolcott, Wood and Taylor, Inc. was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed an unqualified opinion on the Agency's basic financial statements.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

The Honorable William G. Holland
Auditor General
State of Illinois
and
The Board of Directors
Wolcott, Wood and Taylor, Inc.

As Special Assistant Auditors for the Auditor General, we have audited the accompanying basic financial statements of Wolcott, Wood and Taylor, Inc. (WWT), a component unit of the University of Illinois and a component unit of the State of Illinois, as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of WWT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Wolcott, Wood and Taylor, Inc. as of June 30, 2006 and 2005, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, a report on our consideration of WWT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report, upon issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Peoria, Illinois
July 21, 2006

WOLCOTT, WOOD AND TAYLOR, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

(Unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Wolcott, Wood and Taylor, Inc. (hereinafter referred to as WWT) for the years ended June 30, 2006 and 2005, with selected comparative information for the year ended June 30, 2004. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow this section.

Wolcott, Wood and Taylor is a wholly owned subsidiary of the University of Illinois whose specified purpose is to provide billing and other management services on behalf of the Medical Service Plan of the College of Medicine of the University of Illinois at Chicago (MSP).

Incorporated in 1999, the initial charge to WWT was to transition the billing and collection operations on behalf of the 29 physician groups which comprise the MSP. Prior to the establishment of WWT, billing and collection services were provided by a number of billing entities, some internal but most independent of the University. Phase-in of the billing and collections operations from the many billing entities to WWT was substantially completed in 2004. There continue to be some areas of the practice which bill independently of WWT.

Gross billings on behalf of the University increased from $175.6 million in 2004 to $190.6 million in 2005 to $217.2 million in 2006. Net collections decreased from $55.3 million posted in 2004 to $54.9 million posted in 2005, primarily due to delayed payments from the Illinois Department of Public Aid. Net collections increased from $54.9 million posted in 2005 to $61.0 million posted in 2006.

Gross revenue from operations increased from $5.9 million in 2004 to $6.1 million in 2005 to $6.3 million in 2006. Net income totaled $86,717, $687,356, and $469,074 for the years ended June 30, 2004, 2005, 2006 respectively. Cash and investments grew from $1,136,247 as of June 30, 2004 to $1,517,748 as of June 30, 2005 to $1,723,129 as of June 30, 2006. Operating staff increased from an average of 57.1 full time equivalents (FTEs) in 2004 to an average of 60.3 FTEs in 2005 to an average of 60.5 FTEs in 2006.

In the summer of 2001, WWT executed a five-year lease for approximately 13,000 square feet located in the downtown Chicago area. Due to a favorable real estate market, the lease was renegotiated in December 2004 decreasing annual rental cost by approximately $75,000. The lease amendment also provides an opportunity for expansion, a right of first offer and minimal security deposit requirements. The term of the lease was extended through December 2014.

Payroll and HR management services previously provided by Administaff were transitioned to ADP Total Source effective December 1, 2004. Both Administaff and ADP Total Source are recognized as leading providers of payroll and HR services.

Management's focus during this past year has been on restructuring operations, recruiting, and retaining qualified staff and improving productivity.

WOLCOTT, WOOD AND TAYLOR, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006 and 2005

(Unaudited)

Financial Highlights

2006 represents the fifth full year of operations for WWT. Changes in net assets represent the operating activity of WWT which results from revenues, expenses, gains, and losses and are summarized below for the years ended June 30, 2006, 2005, and 2004.

	2006	2005	2004
Total revenue from operations	$ 6,291,158	$ 6,142,679	$ 5,925,252
Total operating expenses	5,709,980	5,288,191	5,607,871
Operating income	581,178	854,488	317,381
Investment income	70,677	30,848	10,536
Interest expense	(182,781)	(197,980)	(241,200)
Increase in net assets	$ 469,074	$ 687,356	$ 86,717

The increase in revenue from 2005 to 2006 reflects some additional activity and an increase to cover the cost of operations. Overall, revenue is established on operating budget and debt retirement requirements. Operating revenue increased by 2.4 percent while operating expenses increased by 8.0 percent. The increase in operating expense reflects additional scanning, consulting service, software maintenance, and third party claim processing expenses. Net income decreased to $469,074 in 2006 from the $687,356 earned in 2005 because of the increase in operating expenses.

There is an increase in revenue from 2004 to 2005. Overall, operating revenue increased by 3.7 percent while operating expenses decreased by 5.7 percent. Net income increased by approximately $600,000 to provide funds for the repayment of debt while expenses decreased.

Funds necessary for start-up capital requirements and to cover early operating losses were provided as a loan by the University to WWT and guaranteed by MSP. Indebtedness to the University as of June 30, 2004 totaled $5,360,000 and June 30, 2005 totaled $4,960,000. Principal repayment began in 2005 and continued in 2006 for a total amount of $400,000 each year leaving a balance due of $4,560,000 as of June 30, 2006.

Statements of Net Assets

The statement of net assets presents the financial position at the end of the fiscal year and includes all assets and liabilities of WWT. Assets and liabilities are generally measured using current values except for capital assets, which are stated at historical cost less an allowance for depreciation. A summarized comparison of WWT's assets, liabilities, and net assets at June 30, 2006, 2005, and 2004 is as follows.

(Unaudited)

	2006	2005	2004
Assets:			
Current Assets	$ 1,905,977	$ 1,690,283	$ 1,316,529
Capital Assets	2,384,105	2,217,366	2,131,312
Less Accumulated Depreciation	(2,043,983)	(1,842,653)	(1,585,439)
Capital Assets, Net	340,122	374,713	545,873
Total Assets	2,246,099	2,064,996	1,862,402
Liabilities:			
Current Liabilities	2,124,824	640,361	1,590,088
Non-current Liabilities	2,787,566	4,560,000	4,095,035
Total Liabilities	4,912,390	5,200,361	5,685,123
Net Assets:			
Invested in Capital Assets	340,122	374,713	545,873
Unrestricted	(3,006,413)	(3,510,078)	(4,368,594)
Total Net Assets	$ (2,666,291)	$ (3,135,365)	$ (3,822,721)

A review of WWT's statement of assets at June 30, 2006, 2005, and 2004 highlights an overall moderate increase consisting of a steady increase in current assets and a mildly fluctuating value of capital assets.

Current assets consist of cash, operating investments, prepaid expense, and accounts receivables. Current assets have grown consistently from $1,316,529 in 2004 to $1,690,283 in 2005 to $1,905,977 in 2006. The increase reflects a positive net income, reduction in purchases of capital assets, and a reduction in interest expense. Capital assets primarily consist of computer hardware, software, and furnishings. The increase in capital assets in 2006 reflects the replacement and/or upgrade of various computer and software assets.

Current liabilities consist of trade accounts, accrued compensation, and accrued interest. A major portion of current liabilities consists of the current portion of outstanding indebtedness to the University. In 2005, the financing agreement required the repayment of $400,000 in principal and that amount is reflected in the 2005 current liabilities. Early in 2005, the financing agreement was amended such that only $400,000 was to be repaid in 2005 and 2006. Current liabilities in 2006 reflect the $1,772,434 to be repaid in 2007.

(Unaudited)

Statements of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents WWT's results of operations. A summarized comparison of WWT's revenues, expenses, and changes in net assets for the years ended June 30, 2006, 2005, and 2004 is as follows:

	2006	2005	2004
Revenue:			
Total Operating Revenues	$ 6,291,158	$ 6,142,679	$ 5,925,252
Expenses:			
Salaries and Wages	3,740,444	3,781,571	3,547,328
Non-salary Expenses	1,768,206	1,249,406	1,725,843
Subtotal	5,508,650	5,030,977	5,273,171
Depreciation	201,330	257,214	334,700
Total Operating Expense	5,709,980	5,288,191	5,607,871
Operating Income	581,178	854,488	317,381
Nonoperating Expense	(112,104)	(167,132)	(230,664)
Increase in Net Assets	$ 469,074	$ 687,356	$ 86,717

Operating revenues represent payments made to WWT by the University for billing services provided on behalf of the MSP together with funds necessary to meet debt retirement requirements. In 2003, the payment was calculated based on a percentage of gross charges billed and payments posted net of refunds. In 2004 and 2005, the payment methodology was revised such that the amount was set at a fixed value agreed upon prior to the start of the year and funds necessary to meet debt retirement requirements. Claims filed on behalf of MSP, gross charges billed, and net payments posted for 2006, 2005, and 2004 are as shown below:

	2006	2005	2004
Claims Filed	499,628	463,048	473,780
Gross Charges Billed	$ 217,225,821	$ 190,604,632	$ 175,572,508
Net Payments Posted	$ 61,014,002	$ 54,927,118	$ 55,309,450

Salary expense decreased 1.1 percent during 2006 reflecting a decrease in temporary staff provided to the University and the resignation of the President of WWT. Salary expense increased 6.6 percent from 2004 to 2005 reflecting an increase in operating staff (FTEs), temporary staff provided to the University, and salary increases from 2004 to 2005.

Non-salary expense increased to $2,152,317 in 2006 from $1,704,600 in 2005 or 26.3 percent. Expense categories showing significant variation from 2005 to 2006 are as follows:

	2006	2005
Professional and other services	$ 360,453	$ 57,761
Recruitment	14,284	37,752
Software maintenance	360,250	264,149
Seminars and subscriptions	18,799	15,578
Third party claim processing	226,875	137,053
Rent	276,613	314,895
Utilities	16,789	15,231
Interest	182,781	197,980
Depreciation	201,330	257,214
Other	494,143	406,987
Total Non-salary Expense	$ 2,152,317	$ 1,704,600

- The increase in professional and other services reflects an increase in consulting expense offset by a decrease in bank charges.
- Recruitment expense represents ads placed in the Chicago news papers and in FY05 additional recruiting expense for IT Director.
- The increase in software maintenance expense reflects an increase in software implementation and maintenance for Ingenix - Claims Manager and Contract Manager.
- Costs included under seminars and subscriptions reflect seminars attended.
- The increase in the third party claim processing expense reflects an increase in new vendors that were added in FY06 that were not used in FY05.
- The decrease in rent payment reflects the reduction in rent costs achieved by renegotiating the facility lease.
- Utility costs were similar in 2005 and 2006.
- The increase in other expense is due to new scanning services provided by Databank IMX in FY06 to scan charge and payment batches.

- Interest - As the principal on the loan is paid down, the interest expense on the principal decreases.

- The decline in depreciation expense reflects the accelerated depreciation application where the majority of the depreciation is taken in earlier years.

Non-salary expense decreased to $1,704,600 in 2005 from $2,301,743 in 2004 or 25.9 percent. Expense categories showing significant variation from 2004 to 2005 are as follows:

	2005	**2004**
Professional and other services	$ 57,761	$ 66,006
Supplies	56,332	58,373
Software maintenance	264,149	214,147
Third party claim processing	137,053	692,353
General services	235,360	228,129
Interest	197,980	241,200
Depreciation	257,214	334,700
Other	498,751	466,835
Total Non-salary Expense	$ 1,704,600	$ 2,301,743

- The decrease in professional and other services reflects a decrease in consulting expense offset by an increase in bank charges. Prior to 2005, bank charges were paid for by the University.

- Supplies expense decreased due to a significant decrease in data processing supplies.

- Increase in Software maintenance reflects an increase in licensing cost imposed by Microsoft, Citrix, and other software vendors.

- The most significant change can be found under the third party claim processing expense. Early in 2005, the university decided to contract directly with the company responsible for third party claim processing rather than having WWT contract with the company.

- The majority of the increase categorized under general services expense reflects increases in postage and printing costs for claims and patient statements. In addition, WWT contracted with two new companies; one to shred paper with sensitive information and one to provide offsite storage of billing records.

- Interest rates charged WWT by the University is based on the rate earned by the University on its long term investments. As market rates have declined, the interest expense paid to the university has declined.

- The decline in depreciation expense reflects the rapid amortization of the computer hardware purchased early in the company's operations.

- Other expenses reflect the cost of general operations.

Statements of Cash Flows

The statement of cash flows provides additional information of WWT's financial results by reporting major sources and uses of cash. A comparative summary of the statements of cash flows for the years ended June 30, 2006, 2005, and 2004 is as follows:

	2006	2005	2004
Cash received from operations	$ 6,290,451	$ 6,197,771	$ 5,942,983
Cash expended for operations	(5,456,171)	(5,102,784)	(5,208,506)
Net cash provided by operating activities	834,280	1,094,987	734,477
Net cash used in capital and related financing activities	(116,795)	(86,054)	(211,735)
Net cash used in noncapital financing activities	(582,781)	(658,280)	(255,940)
Net cash used in investing activities	(134,704)	(350,653)	(266,802)
Net increase in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	5,000	5,000	5,000
Cash and cash equivalents, end of year	$ 5,000	$ 5,000	$ 5,000

From 2005 to 2006, the decrease in funds derived from operations was partially offset by decreases in payments of interest expense to the University and purchase of investments.

The increase in funds derived from operations from 2004 to 2005 was in large part applied to retirement of long-term debt. The balance was used to pay interest, purchase equipment, and was invested in short-term instruments.

(Unaudited)

Economic Factors That Will Affect Future

Management believes that opportunities exist for continued improvement of operations. This coupled with greater experience is expected to result in lower costs per claim processed and improved collections.

Insurance companies, governmental payors, and other third party payors continue to ratchet down the amount paid for services provided. Historical reductions in reimbursement coupled with those proposed may reduce payments from some payors by as much as five percent over a two year period. These reductions and other pressures on the Medical Center, including increased malpractice insurance and reduced State support, will increase the College of Medicine's reliance on WWT as a significant element in its funds flow cycle.

WOLCOTT, WOOD AND TAYLOR, INC.
STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	$ 5,000	$ 5,000
Bank repurchase agreement	1,662,998	1,458,748
Certificate of deposit	55,131	54,000
Accounts receivable	36,818	36,111
Prepaid expenses	146,030	136,424
Total current assets	1,905,977	1,690,283
CAPITAL ASSETS, net	340,122	374,713
TOTAL ASSETS	$ 2,246,099	$ 2,064,996
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 101,103	$ 17,677
Accrued expenses	251,287	191,434
Current installment of long-term debt	1,772,434	400,000
Accrued rent	-	31,250
Total current liabilities	2,124,824	640,361
LONG-TERM DEBT, net of current installment included above	2,787,566	4,560,000
Total liabilities	4,912,390	5,200,361
NET ASSETS		
Invested in capital assets	340,122	374,713
Unrestricted	(3,006,413)	(3,510,078)
Total net assets	(2,666,291)	(3,135,365)
TOTAL LIABILITIES AND NET ASSETS	$ 2,246,099	$ 2,064,996

These financial statements should be read only in connection with the accompanying notes to financial statements.

WOLCOTT, WOOD AND TAYLOR, INC.
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2006 and 2005

	2006	2005
OPERATING REVENUES	$ 6,291,158	$ 6,142,679
OPERATING EXPENSES		
Salaries and wages	3,740,444	3,781,571
General services	351,074	235,360
Recruitment	14,284	37,752
Travel	25,292	17,763
Insurance	13,595	14,652
Telecommunications	28,665	35,496
Software maintenance	360,250	264,149
Professional and other contractual services	360,453	57,761
Leased equipment	5,363	5,270
Supplies	43,667	56,332
Third party claim processing	226,875	137,053
Seminars and subscriptions	18,799	15,578
Maintenance and repairs	12,313	10,337
Rent	276,613	314,895
Utilities	16,789	15,231
Other	14,174	31,777
Depreciation	201,330	257,214
Total operating expenses	5,709,980	5,288,191
Operating income	581,178	854,488
NONOPERATING REVENUES (EXPENSES)		
Investment income	70,677	30,848
Interest expense	(182,781)	(197,980)
Total nonoperating revenues and expenses	(112,104)	(167,132)
INCREASE IN NET ASSETS	469,074	687,356
NET ASSETS, BEGINNING OF YEAR	(3,135,365)	(3,822,721)
NET ASSETS, END OF YEAR	$ (2,666,291)	$ (3,135,365)

These financial statements should be read only in connection with the accompanying notes to financial statements.

WOLCOTT, WOOD AND TAYLOR, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Fees collected	$ 6,290,451	$ 6,197,771
Payments to suppliers	(1,775,580)	(1,326,244)
Payments to employees	(3,680,591)	(3,776,540)
Net cash provided by operating activities	834,280	1,094,987
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(116,795)	(86,054)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest paid	(182,781)	(258,280)
Payments on long-term debt	(400,000)	(400,000)
Net cash used in noncapital financing activities	(582,781)	(658,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	70,677	30,848
Purchase of investments	(205,381)	(427,501)
Redemption of certificate of deposit	-	46,000
Net cash used in investing activities	(134,704)	(350,653)
NET INCREASE IN CASH	-	-
CASH, BEGINNING OF YEAR	5,000	5,000
CASH, END OF YEAR	$ 5,000	$ 5,000
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 581,178	$ 854,488
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	201,330	257,214
Effects of changes in:		
Accounts receivable	(707)	55,092
Prepaid expenses	(9,606)	(47,345)
Accounts payable and accrued expenses	93,335	(55,712)
Accrued rent	(31,250)	31,250
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 834,280	$ 1,094,987

NONCASH CAPITAL AND RELATED FINANCING TRANSACTION

WWT purchased $49,944 of capital assets that are included in accounts payable at June 30, 2006.

These financial statements should be read only in connection with the accompanying notes to financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Wolcott, Wood and Taylor, Inc. (WWT) is an Illinois not-for-profit corporation with offices located in Chicago, Illinois. The articles of incorporation authorize WWT to provide practice management support services and operate as a billing/collection entity under the laws of the State of Illinois.

WWT was created by the Board of Trustees of the University of Illinois (University) effective July 8, 1999 to provide billing and collection services and practice management support services for the Medical Service Plan of the College of Medicine of the University of Illinois at Chicago (MSP). WWT is recognized by the University of Illinois as a University related organization, and is incorporated within the University's financial report as a component unit.

Basis of Presentation

WWT prepared its financial statements as a Business Type Activity, as defined by GASB Statement No. 34, using the economic resources measurement focus and the accrual basis of accounting. Business Type Activities are those financed in whole or in part by fees charged to external parties for goods and services. Pursuant to GASB Statement No. 20, the Company has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements. WWT has elected not to apply FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts has been provided since, in management's judgment, it is believed that the amount of such allowance would not be significant.

Capital Assets

Assets with an original cost greater than $1,000 and a useful life of more than one year are capitalized. Capital assets are depreciated on an accelerated or straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful life. The following estimated useful lives are being used by WWT:

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Data processing equipment	5 years
Computer software	3 years
Furniture and fixtures	7 years
Leasehold improvements	5 years

Revenue Recognition

Revenue is recognized by WWT as services are provided.

Classification of Revenues

The Company has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as billing and collection and practice management support services.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, such as investment income.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Although WWT is an Illinois not-for-profit corporation, it is subject to federal income taxes under the U.S. Internal Revenue Code.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2006, WWT has a bank balance of $60,131, consisting of a checking account with a carrying amount of $5,000 and a certificate of deposit with a carrying amount of $55,131. The balance is insured (FDIC) for $60,131.

At June 30, 2005, WWT has a bank balance of $59,000, consisting of a checking account with a carrying amount of $5,000 and a certificate of deposit with a carrying amount of $54,000. The balance is insured (FDIC) for $59,000.

Investments

As of June 30, 2006, WWT had the following investments and maturities:

Investment Type	Fair Value	Less Than 1 Year
Repurchase agreement	$1,662,998	$1,662,998

As of June 30, 2005, WWT had the following investments and maturities:

Investment Type	Fair Value	Less Than 1 Year
Repurchase agreement	$1,458,748	$1,458,748

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, WWT will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. WWT does not have a deposit policy for custodial credit risk.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. WWT does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

WOLCOTT, WOOD AND TAYLOR, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Data processing equipment	$ 625,247	$ 93,461	$ -	$ 718,708
Computer software	1,229,189	73,278	-	1,302,467
Furniture and fixtures	280,794	-	-	280,794
Leasehold improvements	82,136	-	-	82,136
Total	2,217,366	166,739	-	2,384,105
Less accumulated depreciation:				
Data processing equipment	510,602	70,838	-	581,440
Computer software	1,087,947	86,965	-	1,174,912
Furniture and fixtures	185,970	27,100	-	213,070
Leasehold improvements	58,134	16,427	-	74,561
Total accumulated depreciation	1,842,653	201,330	-	2,043,983
Capital assets, net	$ 374,713	$ (34,591)	$ -	$ 340,122

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Data processing equipment	$ 587,757	$ 37,490	$ -	$ 625,247
Computer software	1,180,625	48,564	-	1,229,189
Furniture and fixtures	280,794	-	-	280,794
Leasehold improvements	82,136	-	-	82,136
Total	2,131,312	86,054	-	2,217,366
Less accumulated depreciation:				
Data processing equipment	425,548	85,054	-	510,602
Computer software	970,117	117,830	-	1,087,947
Furniture and fixtures	148,055	37,915	-	185,970
Leasehold improvements	41,719	16,415	-	58,134
Total accumulated depreciation	1,585,439	257,214	-	1,842,653
Capital assets, net	$ 545,873	$ (171,160)	$ -	$ 374,713

NOTE 4 - LONG-TERM DEBT

A note between WWT and the University of Illinois has been authorized effective January 31, 2000 in an amount not to exceed $5,500,000 to provide capital to cover initial startup costs of WWT. As of June 30, 2006 and 2005, $4,560,000 and $4,960,000, respectively, of the authorized note was outstanding. The terms of the note provide for interest to be accrued and billed quarterly based on the University's investment money market intermediate rate of return. The effective interest rate as of June 30, 2006 and 2005 was 4.9 and 3.8 percent, respectively. Interest rates will be reviewed annually and adjusted at the beginning of the fiscal year should the University's investment money market intermediate term rate of return differ by at least 1 percent from the rate currently being charged. The note has been guaranteed by the University's Medical Service Plan (MSP).

Debt service requirements as of June 30, 2006, computed using the then prevailing interest rate, were as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2007	$ 1,963,306	$ 1,772,434	$ 190,872
2008	1,943,519	1,840,752	102,767
2009	964,212	946,814	17,398
	$ 4,871,037	$ 4,560,000	$ 311,037

NOTE 5 - RELATED PARTIES

The Directors and Officers are employees of the University of Illinois. In accordance with the University's policy on "Conflicts of Commitment and Interest," all such individuals have received approval from their supervisors within the University. Additionally, as the directed purpose of WWT is to provide medical practice management support services for the University's MSP, the activities of these individuals have been judged to not represent conflicts of commitment or interest as defined within the University's policy.

NOTE 6 - RETIREMENT AND POSTEMPLOYMENT BENEFITS

Employees of WWT who have appointments within the University of Illinois of greater than 50 percent participate in the State Universities Retirement System of Illinois (SURS), a cost-sharing multiple-employer defined-benefit pension plan. The University contributes to the plan with a special funding situation whereby the State of Illinois makes substantially all actuarially determined required contributions on behalf of the participating employers. The University contributions include payments for WWT employees covered under the plan.

NOTE 6 - RETIREMENT AND POSTEMPLOYMENT BENEFITS (CONTINUED)

SURS was established July 21, 1941 to provide retirement annuities and other benefits for staff members and employees of the State universities, certain affiliated organizations, and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the State's financial reports as a pension trust fund. SURS is governed by Section 5/15, Chapter 40, of the *Illinois Compiled Statutes*. SURS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SURS, 1901 Fox Drive, Champaign, IL 61820 or by calling 1-800-275-7877.

Eligible employees must participate upon initial employment. Employees are ineligible to participate if (a) employed after having attained age 68; (b) employed less than 50 percent of full-time; or (c) employed less than full-time and attending classes with an employer. Of those University employees ineligible to participate, the majority are students at the University.

SURS provides retirement, disability, and death benefits. Members are eligible for normal retirement at any age after 35 years of service, at age 60 after 8 years of service, or at age 62 after 5 years of service. There are also provisions for early retirement. Retirement benefits are based on certain formulas that generally are a function of years of service and the average salary based on the highest earnings of any four consecutive years. Disability benefits are paid to disabled members with two years of covered service, generally at 50 percent of basic compensation until the total benefits paid equal 50 percent of the total earnings in covered service. Death benefits are payable to survivors of an active member with one and one-half years of covered service or of a former member with ten years of covered service. These benefits are payable until children attain the age of 18, to a spouse after age 50, and to a dependent parent after age 55. Benefits are equal to the retirement contributions and interest, a lump sum payment of $1,000, and a monthly annuity equal to a portion of the accrued normal retirement benefit based on specified formulas.

Plan members are required to contribute 8.0 percent of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate is 10.18 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The University's contributions to SURS for the years ended June 30, 2006, 2005, and 2004 were $101,570,228, $145,751,517, and $755,398,000, respectively, equal to the required contributions for each year.

Company employees hired prior to April 1, 1986 are exempt from contributions required under the Federal Insurance Contribution Act. Employees hired after March 31, 1986 are required to contribute 1.45 percent of their gross salary for Medicare. The Company is required to match this contribution.

NOTE 6 - RETIREMENT AND POSTEMPLOYMENT BENEFITS (CONTINUED)

University employees may also elect to participate in certain tax-sheltered retirement plans. These voluntary plans permit employees to designate a part of their earnings into tax-sheltered investments and thus defer federal and state income taxes on their contributions and the accumulated earnings under the plans. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to these plans.

In addition to providing pension benefits, the State provides certain health, dental, and life insurance benefits to annuitants who are former State employees. This includes annuitants of WWT. Substantially all State employees, including the employees of WWT, may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self-insurance plan and insurance contracts currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; life insurance benefits for annuitants age 60 and older are limited to $5,000 per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental, and life insurance benefits. The cost of health, dental, and life insurance benefits is recognized by the State on a pay-as-you-go basis. These costs are funded by the State and are not an obligation of WWT or the University.

WWT has established a 401(k) plan for its employees who are at least 21 years of age and have completed 1,000 hours of service within a consecutive 12 month period. WWT does not make any contributions to the 401(k) plan.

NOTE 7 - OPERATING LEASE

WWT has a noncancellable operating lease for office space at 200 West Adams, Suite 225, Chicago, Illinois, that expires December 31, 2014.

Future minimum lease payments under this operating lease at June 30, 2006 are:

2007	$ 120,731
2008	127,257
2009	133,783
2010	140,309
2011	146,835
2012 through 2015	564,499
	$ 1,233,414

WWT maintains a certificate of deposit for $55,131 at June 30, 2006 as a security deposit on the building lease.

NOTE 8 - INCOME TAX

As of June 30, 2006, WWT had tax net operating loss carryforwards approximating $3,100,000. Timing differences relate to accounting for capital assets and the capitalization of certain start-up costs for tax reporting purposes. The loss carryforwards expire in varying amounts through the year 2020. Management believes that the likelihood of WWT utilizing the tax loss carryforwards in the near future is remote and thus has recorded a full valuation allowance with respect to the future benefits due to the uncertainty of their ultimate realization.